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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 3797

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE

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C O N F I D E N T I A L ASHGABAT 001504

SIPDIS

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E.O. 12958: DECL: 11/24/2019

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SUBJECT: TURKMENISTAN: CONOCOPHILLIPS STILL PURSUING
OFFSHORE BLOCKS

REF: ASHGABAT 1318

Classified By: Charge d'Affaires Sylvia Reed Curran, Reasons 1.4 (b) and (d).

¶1. (C) On November 17, ConocoPhillips representatives visiting Ashgabat to attend the Turkmenistan International Oil and Gas Exhibition briefed poloff on the status of the company's efforts to develop Turkmenistan's Blocks 19 and 20 in the Caspian. The company reps shared that they could not always be certain where they were in the process of closing a deal with the Turkmen government. Having listened to advice in the past about the importance of establishing an expatriate company presence in Ashgabat in order to show the company's serious intentions, the reps noted that they had not seen a lot of results for those companies that had opened local offices. In the past, ConocoPhillips accepted that onshore projects were off limits to foreign companies, due to Turkmen government policy, hence the company's interest in offshore blocks. However, if the opportunity arose, the ConocoPhillips reps said the company would be interested in onshore projects as well.

¶2. (C) On the subject of the company's efforts to negotiate for the offshore blocks, the reps said it seemed like the company had been working on it "forever." At times, a deal seemed close, at other times, far away. They were told by a Turkmen energy sector official that BP is their competition for Blocks 19 and 20. Their earlier partnership with Lukoil, now broken off (reftel), had clearly been a problem in concluding a deal, according to the ConocoPhillips reps. They were not sure why the Turkmen would not deal with Lukoil, suggesting that perhaps Lukoil President Vagit Alekperov's Azeri roots were a factor. In any case, the problem was not Lukoil's Russian nationality, since Russian firm Itera was awarded the block that Lukoil sought.

¶3. (C) If ConocoPhillips eventually produces gas in the Turkmen Caspian blocks, the reps thought it most likely that the gas would be shipped north, although a China partner

would also make sense because the Chinese market is "insatiable." The company reps had heard that Turkmen-Kazakh relations had soured over a land border dispute and wondered if ConocoPhillips' extensive activity in Kazakhstan might lead the Turkmen to look unfavorably at the company.

¶4. (C) COMMENT: All along, ConocoPhillips has taken the Turkmen at their word about the ban on onshore production agreements and has pursued offshore blocks, so far to no result. Instead of knowing where the company stands based on substantive responses to its proposals, company reps are forced to guess at the impact of factors such as having a local office, the nationality of their partner company's president, and the rumor of a Turkmen-Kazakh border dispute on their chances of landing a deal. Despite the difficulties, the reps gave no indication that ConocoPhillips was considering giving up. END COMMENT.

CURRAN